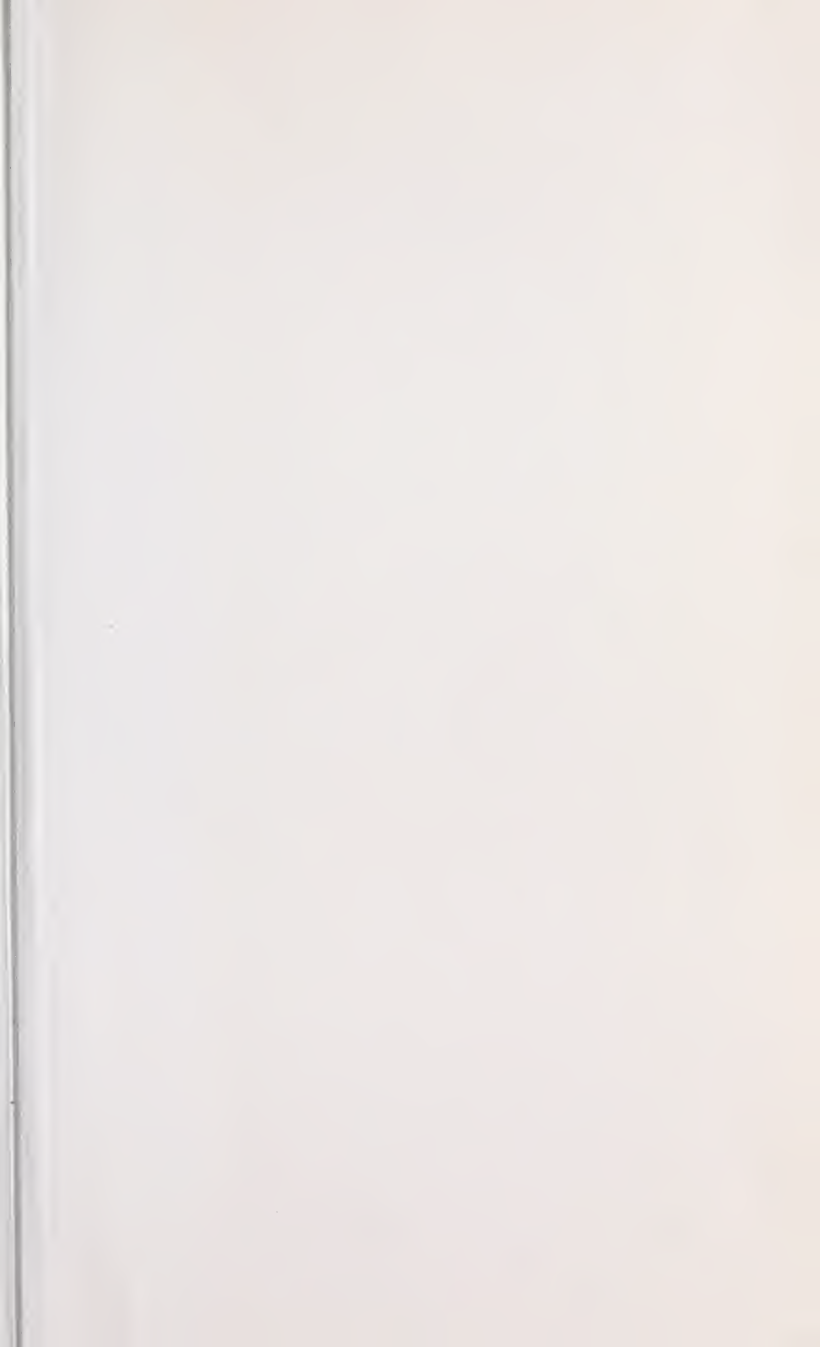




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TWELFTH
ANNUAL REPORT
OF THE
PRESIDENT AND DIRECTORS
TO
THE STOCKHOLDERS
OF THE
BALTIMORE AND OHIO
RAIL ROAD COMPANY.

BALTIMORE:
PRINTED BY LUCAS & DEEVER.
1838.

ANNUAL REPORT.

OFFICE OF THE BALTIMORE AND OHIO RAIL ROAD }
COMPANY, 13th December, 1838. }

Pursuant to the provisions of the charter, the *President and Directors of the Baltimore and Ohio Rail Road Company* submit to the stockholders a statement of the affairs of the company for the year, ending the 30th September, 1838.

The publication of this report has been delayed until the board could be able to present some facts in regard to the operations of the present year, with which the stockholders might desire to be made acquainted, previous to the next annual report.

FIRST:—*Of the Main Stem to its present termination at Harper's Ferry; and of the Washington Branch.*

The revenue and expenses of the company during the year are shewn by the annexed statement, prepared by the Secretary, marked A; to which is subjoined a summary statement of the company's affairs, on the 1st of October, 1838, marked B.

At the date of the last annual report, there remained of the capital uncalled for, \$15 per share, being the balance of subscriptions by individuals, and amounting, in the aggregate, to \$450,000.

In the course of the past year, the whole of this balance was required to be paid, in instalments of \$2.50 each, in the months of August, September, October, and November, 1838, and in January and March, 1839, respectively; as applicable

to the reconstruction of the road, which the board found it necessary to order.

The instalments have been paid with commendable punctuality, and such as were payable prior to the 1st October last are included in the statement marked B.

It will be seen by these statements that the trade upon the road is gradually increasing, and that there is an excess of income over the expenditures of the year, of more than \$7000. In some of the heaviest items of expenditure there has been a considerable reduction; and although the amount of trade has been materially greater, the expenses for transportation have been less than in the previous year.

The contracts heretofore existing for repairing the locomotives and passenger and burthen cars were dissolved during the year; and these repairs have been subsequently made in the company's shops, whereby, it is believed, greater economy has already been introduced into this department.

It is proper to observe also, that a new locomotive engine, and twenty burden cars were added to the machinery of the Main Stem, and that a large supply of fuel purchased during the year, remains for future consumption. The item of interest also was increased, from the necessity of anticipating the instalments, and the sum of \$16,250 of interest of the year 1837, has been paid out of the revenue of 1838.

If, to the excess of income over expenditure of the year, be added the dividends in money and stock, received from the Washington Branch—which, estimating the stock at par, amount to \$135,107.20—the receipts of the company from these sources on account of the Main Stem would be found adequate to discharge the floating debts, and leave a nett surplus of means of \$47,985.90.

The sources of expenses which have hitherto not only absorbed, but exceeded the income, were adverted to in the last annual report. They consisted chiefly of the repairs of the road, and expenses for transportation,—including the repairs of engines and cars,—and interest upon loans.

The expenses, both of repairs and of transportation, were greatly increased by the condition of the road, the interruption of the planes, and the employment of horse power at that point and at the city depots.

The renovation of the unsound parts of the road, and the alteration in the planes seemed, therefore, indispensably necessary to any successful scheme of economy, and to these objects the board promptly directed their attention.

Both works are proceeding with the utmost despatch, consistently with the company's means, and upon the most improved and durable plan. The new road around the planes may be expected to be fit for use in the month of January; and more than thirteen miles of the other parts of the road, including important alterations in some of the most abrupt and difficult curves, will, it is hoped, be completed during the month of March next.

It is believed, that the alteration in the planes will diminish the actual expenses for transportation at that point more than \$20,000 per annum, besides the saving in wear and tear of machinery. In locomotive power, and in vehicles of transportation, the saving will be not less than one-third. In the conveyance of passengers the expedition will be greatly increased; and in the transportation of burden, the time will be diminished one-half; so that the company may be able to double the amount of transportation at an expense of little, if any, more than that at present incurred.

The employment of horse power, and the labor incident to it, at the city depots, occasioning an annual expense of little short of \$20,000, cannot be dispensed with, unless it should be practicable to discontinue one of the depots; or unless the city authorities would permit the introduction of the locomotive power, under proper regulations, as far as the depot in Pratt street.

Regarding the deep interest which the city, both as a stockholder and a growing commercial emporium, now has in the economical management, and successful operations of this

work, it merits consideration whether the councils could not authorize the use of engines to the depot in Pratt street at a slow speed and under such regulations, as has been permitted in other cities, with great advantage to the works, and without injury to the public.

Although with an increasing trade, and the completion of the improvements in progress, the main stem, even from Harper's Ferry, may be expected at no remote period to yield a reasonable profit; it ought nevertheless rather to be regarded as but the commencement of a great enterprise necessarily involving expenditures disproportionate to the trade, and travel; and the zeal of the stockholders should only be quickened to urge it forward to those points from which it must certainly realize their most sanguine expectations.

It will appear from the statements of revenue and expenditure of the *Washington Branch* marked C, and D, that the trade upon that road also is gradually increasing; and that a surplus has accumulated sufficient to warrant a dividend among the stockholders.

In order to render the operations of the main stem and of the Washington branch as independent of each other as practicable, to afford the utmost facilities to the trade of each, and to supply the branch with the power and machinery requisite to authorize the charges provided by the act of 1836, chapter 261, four new engines built by William Norris of Philadelphia, and twenty-eight burthen cars have been placed upon that road during the year; and the board have also entered into a contract with the Post Master General, for carrying the mail for the period of two years between Baltimore and Washington.

By the act authorising the construction of the *Washington Branch* the capital was fixed at \$1,500,000, with authority to increase it by the creation of new stock to an amount sufficient to complete the construction of the road, and to supply it with the adequate moving power and machinery.

The revenue, beyond the ordinary expenses, received from this branch up to the 1st of July last, amounted to \$223,103.24, and of this \$156,365.04 were necessarily applied to objects of

construction. Pursuant to the purpose stated in the last annual report, the board directed the capital to be increased 10 per cent., by the issue of certificates to that amount, of new stock, deliverable to the stockholders at par; and there being by this arrangement, some fractional parts of shares amounting to \$300, or three shares, these were disposed of at the par value, and the proceeds paid to the stockholders entitled to them.

Independently of the amount thus paid to the stockholders in new stock, there was a surplus of revenue of the Washington branch on the 30th September last, of \$68,468.56, of which the board directed a dividend at the rate of 4 per cent. upon the increased capital. After this dividend there remains a surplus of \$2,468.56 to be credited to the receipts of the present year.

This road has been in operation little more than three years; and the dividend now made in money and stock, valuing the stock at par, amounts in the whole to 14 per cent. or to $4\frac{2}{3}$ per cent. per annum.

It is just to remark also, that in addition to the income, from which the foregoing dividends have been made, the revenue of the road during the same period, has been charged with, and will actually pay to the State of Maryland, in the shape of bonus, one-fifth of all the money received from the conveyance of passengers, and which to the 30th September last amounted in the aggregate to \$112,963.70.

If to this be added the recent dividend in stock and money estimating the stock at par, and also the sum of \$17,656.25, being the interest paid to the State on the anticipated instalments, it will appear that, during the same period, the State will receive upon the amount of one million of dollars, advanced to both roads, more than 20 per cent.; or $6\frac{2}{3}$ per cent. per annum.

But in the increased facilities which, by these improvements, have been afforded to the community, in the rapid development of the resources of the State, and in the beneficial influ-

ence upon the value of property, advantages which are continually flowing from such works judiciously made and properly managed, though to the stockholders they may yield little or no profit, the State has received even greater benefits.

It may, therefore, be safely assumed that these considerations fully justify not only the pecuniary aid heretofore advanced by the State, but also that promised in her more recent subscription; and cogently appeal to the wisdom and liberality of the Legislature to render it available for the prompt completion of the work to the Ohio river.

SECOND.—*As to the extension of the road beyond Harper's Ferry and to the Ohio river.*

The difficulties which have retarded the prosecution of this great enterprise need not in this place be particularly stated. It may be sufficient to observe that independently of such as are intrinsic to the magnitude of the undertaking, they were of a description not earlier to be surmounted. The board, however, have now the gratification to state, that many of them have yielded to patient perseverance, and that those which remain may be ultimately overcome. Sufficient have been conquered to justify the board in pushing forward to the final accomplishment of the work committed to their charge.

The reconnoissances and preliminary surveys from Harper's Ferry to the Ohio, referred to in the last annual report, together with the estimate of the cost of the entire work, were fully prepared in the course of the year. They shew the practicability of locating a satisfactory route to the Ohio river, embracing both *Wheeling* and *Pittsburg*, at the maximum elevation of 66 feet per mile, and that the cost of construction with a single track of the most durable plan to both points, will not exceed nine millions and a half of dollars.

It was found, however that the time allowed for the occupation of any part of the territory of the State of Virginia expired in the month of July last, and it became necessary, before attempting to proceed further with the work, to make an application for a renewal of the charter in that State.

Measures for that purpose were accordingly taken, as early as practicable, and the president with a committee of the directors and the chief engineer, attended the last session of the Virginia Legislature to urge the application.

In the mean time, however, new interests, less favourable to the extension of the work through that state had arisen, and that which at an earlier day might have been comparatively easy of accomplishment had then become a task of greater difficulty. A law was finally passed extending the time for completing the work five years; but it deprived the company of the option of selecting between the routes in the State of Maryland and those in the State of Virginia, between Harper's Ferry and Cumberland; and made it an express condition that the road should pass into Virginia at Harper's Ferry, be thence constructed through that state to about five and a half miles below Cumberland, and that Wheeling should be made one of the termini. The law also authorized an additional subscription of \$1,058,420 upon the part of the State, being two-fifths of the estimated cost of so much of the road as was required to be made in Virginia, between Harper's Ferry and Cumberland.

According to this condition, which was the best it was possible to obtain, the company was not only required to pass into Virginia at Harper's Ferry; but was also obliged to abandon altogether the extension of the road to *Wheeling*, or to leave the State of Maryland for nearly the entire distance between Harper's Ferry and Cumberland.

The validity of the act depended upon the acceptance by the stockholders including the State of Maryland; and independently of the other consequences involved in the condition, it first became necessary to ascertain the practicability of crossing at Harper's Ferry. The crossing at that point could only be effected by occupying a part of the government property at Harper's Ferry, or about six miles of the Winchester and Potomac Rail Road, and neither could be used without the voluntary assent of the respective proprietors.

Immediately after the passage of the law, negotiations were commenced both with the proper authorities of the United States, and with the Winchester and Potomac company.— With the latter they resulted unfavourably ; but with the former the board were more successful, and in the month of November last an arrangement was concluded with the Secretary of War, by which permission to occupy the necessary parts of the public property was granted.

Consequent upon this arrangement a meeting of the stockholders was regularly convened on the 13th day of November, 1838.

At this meeting the stock of the State of Maryland amounting to 35,000 shares, and that of the city of Baltimore, of an equal amount were duly represented ; and at the same meeting the whole number of shares represented amounted to 88,871.

The city of Wheeling has always been regarded as an almost indispensable termination of the road ; and, as it is understood, formed a principal inducement with the State of Maryland and the city of Baltimore in contributing their aid to the completion of the work. Indeed without a reliance upon the trade from that point it is not to be supposed that the city could have been prevailed upon to afford the liberal assistance which the company has received from that quarter. In fact, therefore, it could not be expected that an object so essential to the success of the enterprise would be relinquished.

There were other considerations, however, which appeared to give a decided preference to the occupation of the Virginia Territory between Harper's Ferry and Cumberland. Among these the trade of the fertile valleys bordering on the tributaries of the Potomac river ; the avoidance of any collision with the canal now so far advanced in its construction, and of other works projected as rivals both to the improvements and trade of Maryland, and the vastly greater cheapness of the work through the State of Virginia, were the most prominent.

It appears by the surveys and estimates, that the difference in actual outlay in money, between the route through Virginia,

and that through Maryland is not less than \$2,083,917, but that in actual and equivalent capital it is at least \$2,625,400. If to this be added the contributions from the State of Virginia, and the city of Wheeling, amounting to \$2,358,420, which had the stockholders abandoned the State of Virginia altogether must have been relinquished,—the difference in actual and equivalent capital would be \$4,983,420.

On these grounds, and believing that by assenting to the provisions of the Virginia act, they would not only adopt the shortest and cheapest route, but best subserve the interests of the State and city, and of the stockholders generally, the meeting, with the concurrence of the representatives of the stock of the State of Maryland and of the city of Baltimore, accepted the law.

The route of the road between Harper's Ferry and Cumberland being thus definitively determined, it became the duty of the board promptly to carry out the decision.

Accordingly, companies of engineers adequate to the location of the entire line from Harper's Ferry to Cumberland were promptly organized, and are already in the field, with instructions to prepare the road for contracts early in the spring. Similar corps are also employed in locating the road from Wheeling towards the Pennsylvania line, with instructions to the same effect; so that the board may be enabled to prosecute the work with as much despatch as the means at their command will admit of.

At the period of the last annual report, the means of the company consisted of the subscriptions by the State of Maryland and the city of Baltimore of \$3,000,000 each, and of an authorised subscription by the State of Virginia of \$300,000.

During the past year the board have succeeded in obtaining a subscription from the city of Wheeling, of \$1,000,000, and a further authorised subscription from the State of Virginia of \$1,058,420, making in the aggregate \$8,358,420, being within \$1,200,000 of the estimated cost of the entire work to Wheeling and Pittsburg.

The subscription of \$3,000,000 by the city of Baltimore is limited by the terms of the ordinance to the construction of the road between Harper's Ferry and Cumberland, and according to the estimates of the engineers it will be sufficient by the adoption of the route through Virginia, for that purpose. It is also payable in cash whenever demanded by the board of directors, not exceeding \$1,000,000 in any one year, and an instalment of \$400,000 has already been required to be paid on or before the 1st of January next.

It is not less the interest of the stockholders generally than of the city of Baltimore, that the road should be extended to Cumberland with the least possible delay, and it may be extended as rapidly as it may suit the city authorities to advance their subscription. Beyond that point, the progress of the work will depend upon the success of the board in their efforts to render the other subscriptions available.

In any sound view of the subject, *Cumberland* must be regarded as one of the most important points on the line of the work, and a connexion thence with Baltimore and Philadelphia cannot fail to bring a great accession of travel and business to the road.

The mineral deposits in the region of Cumberland are in process of rapid developement, and the improvements to which this will give rise, together with the trade of the fertile and extensive vallies intersected by the road, constitute an important resource, and will undoubtedly seek a channel affording a daily intercourse at all seasons of the year, with the city of Baltimore.

The connexion also between *Wheeling* and *Cumberland*, by the national road of a distance of only 131 miles, when Cumberland shall be connected by rail road with *Baltimore*, and thence by a similar communication with Philadelphia, will undoubtedly supply a vast amount of travel and trade to the Baltimore and Ohio road, and restore to it much which have heretofore been drawn into other channels.

From that point also, the opposition of other improvements

which may heretofore, from any cause whatever, have looked with any degree of jealousy upon the progress of the rail road may be expected to cease, if indeed those works should not become auxiliaries to its further extension to the west.

From Cumberland, the rail road west will become tributary to the other works, each of which will have a deep interest in its extension; and thenceforward, the State of Maryland, however her councils may at any time have been embarrassed by opposing or conflicting works, may be expected to regard the rail road from Cumberland to the Ohio as her great and only work of internal improvement.

On these and other grounds, the board entertain a conviction that when the rail road shall be completed to *Cumberland* it will immediately become a source of considerable profit to the stockholders, and of great importance to the trade of the city of Baltimore and the State of Maryland.

It is the determination of the board, therefore, to complete it to that point as promptly as the means arising from the city subscription will allow.

In conclusion it may be remarked, that although some further time must elapse before the stockholders can receive a dividend from the profits of the present road, the company have commenced the present year with a surplus of revenue beyond their expenses; and with augmented means and renewed hopes of carrying their work to those points from which it may certainly be expected to yield them a reward only exceeded by the advantages destined to flow to the State and country at large.

LOUIS McLANE,
President.

[A]

S T A T E M E N T

OF THE

R E V E N U E A N D E X P E N S E S

OF THE

BALTIMORE AND OHIO RAIL ROAD,

For the year ending 1st October, 1838.

R E V E N U E.

The amount received for the transportation of passengers and merchandize for the year ending 30th September, is	\$365,224 32
The amount received in dividend from the Washington branch road in stock, is 938 shares, which at par amount to	93,800 00
And the amount received from the same source, in money,	41,307 20
Making a total amount of receipts, of	<u>\$500,331 52</u>

The Expenses have been as follow, to wit:

For Transportation, including labor, fuel for the engines, salaries of the superintendent, agents, conductors, &c.	\$136,199 39
Interest on the million and other loans, and on the anticipated instalments of the State and city,	86,470 90
Repairs of railway,	89,230 44
Repairs of locomotives,	15,159 35
Repairs of burden cars,	10,295 90
Repairs of passenger cars,	2,735 26
Repairs of the Monocacy bridge,	316 49
Repairs of the Harper's ferry viaduct,	7,270 75

Repairs of water stations and depots,	2,591 46
Office expenses and salaries, printing	
annual reports, &c. - - -	7,782 05
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Making a total amount of expenses of	\$358,051 99
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Leaving a surplus of - - - -	\$142,279 53
	<hr/>
The Company have bills payable out amounting to	\$94,293 63
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*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1838.*

J. I. ATKINSON,
Secretary.

[B]

SUMMARY STATEMENT

OF THE AFFAIRS OF THE

BALTIMORE AND OHIO RAIL ROAD COMPANY,

On the 1st of October, 1838.

The company have received for stock,	\$3,716,512 04
And they have expended the following, to wit:	
On account of construction of the road from Baltimore to Frederick and Harper's Ferry, including real estate and depots, locomotive steam power, burden and passenger cars, &c., &c.	\$3,584,970 98
On account of the road to be extended west of Harper's Ferry, for surveys, right of way and contingencies,	81,540 19
On account of the reconstruction of the present road, including the change of location in going round the inclined planes at Parr's ridge, right of way, surveys, purchase of iron rails, &c., &c.	169,691 92
Amounting to	\$3,836,203 09
Showing an over expenditure of the capital, of	\$119,691 05
Of which have been borrowed from the million loan created to pay for the stock held by the main stem in the Washington Branch road, but not required for that purpose, owing to individual subscriptions to this amount, and reimbursable on the 1st of January, 1851,	61,200 00
Leaving a balance over-expended,	\$58,491 05

The revenue of the Main Stem is credited with receipts since the last dividend was made, 1st October, 1835,	\$948,542 54
With stock in the Washington Branch road, received in dividends at par,	93,800 00
And with money from the same source,	41,307 20

Making in all, \$1,083,649 74

Against which go the following charges, to wit:

Transportation expenses, labor, fuel for the engines, salaries of the superintendent, agents, conductors, &c., &c.	402,103 01
Interest on the million and other loans, and on the anticipated instalments of the State and city,	228,691 14
Repairs of railway,	238,533 66
Repairs of locomotives,	42,689 78
Repairs of burden cars,	48,463 14
Repairs of passenger cars,	6,786 59
Repairs of Monocacy bridge, of the Harper's Ferry viaduct, and of depots and water stations,	16,500 18
Office expenses and salaries, printing and various contingent expenses,	17,896 64

Amounting to 1,001,664 14

Shewing a balance in favor of the company of \$81,985 60

*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1838.*

J. I. ATKINSON,

Secretary.

[C]

S T A T E M E N T

O F T H E

R E V E N U E A N D E X P E N S E S O F T H E W A S H I N G T O N B R A N C H

O F T H E

B A L T I M O R E A N D O H I O R A I L R O A D ,

For the year ending 1st October, 1838.

The Washington branch rail road has received for
the transportation of passengers and merchandize
for the year ending 30th September, 1838, - \$188,260 87

Against which go the following charges, to wit:

For transportation, expenses, labor, fuel for the engines, salaries of the superintendent, agents, conductors, &c. - - - - -	\$31,328 43
Bonus to the State, $\frac{1}{3}$ of the receipts from passengers, - - - - -	38,537 09
Interest,—Elkridge Landing bridge annuity, - - - - -	1,250 00
Repairs of railway, - - - - -	20,067 55
Repairs of locomotives, - - - - -	6,570 82
Repairs of water stations and depots, - - - - -	301 81
Repairs of burden cars, - - - - -	3,750 58
Repairs of passenger cars, - - - - -	2,731 01
Office expenses and salaries, printing annual reports, &c. - - - - -	7,057 24
Making a total amount of	\$111,594 53
And leaving a balance for the year of	\$76,666 34

*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1838.*

J. I. ATKINSON,

Secretary.

[D]

SUMMARY STATEMENT

OF THE

AFFAIRS OF THE WASHINGTON BRANCH

OF THE

BALTIMORE AND OHIO RAIL ROAD,

On the 1st October, 1838.

The Washington branch road has stock, -	\$1,500,000 00
And there have been expended in making the road, and in real estate and depots, locomotive steam power, and burden and passenger cars, -	1,660,745 53
Shewing an over expenditure on account of the capital of - - - - -	\$160,745 53
From which a dividend of 10 per cent. in stock has been made of - - - - -	150,000 00
Leaving an over expenditure of - - - - -	<u>\$10,745 53</u>

The revenue of the Washington branch road stands
credited with, - - - - - \$526,922 53

Out of which the following expenses have been paid, to wit:

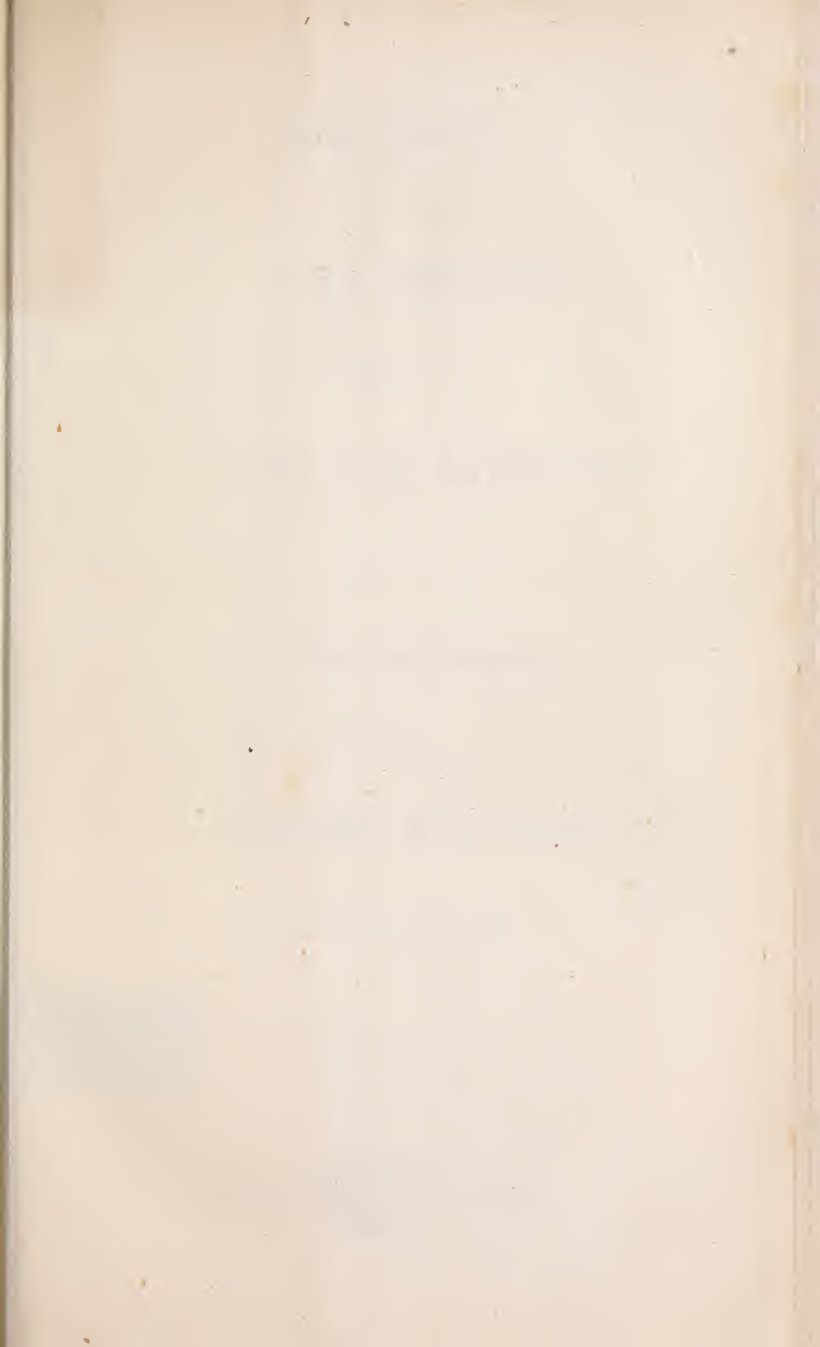
Bonus to the State, $\frac{1}{3}$ of the receipts from passengers, - - - - -	\$102,819 18
Transportation expenses,—labor, fuel for the engines, salaries of the su- perintendent, agents, conductors, &c. - - - - -	88,097 78
Interest, - - - - -	20,051 50
Repairs of railway, - - - - -	34,747 41
Repairs of locomotives, - - - - -	20,062
Repairs of depots and water stations, - - - - -	413 46

Repairs of burden cars, - - -	6,095 85	
Repairs of passenger cars, - - -	8,447 68	
Office expenses and salaries, printing, and various contingent expenses,	16,943 58	
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Amounting to		\$297,708 44
		<hr/>
Leaving a surplus of		\$229,214 09
		<hr/>
Of which there has been a dividend		
in stock of - - - - -	\$150,000 00	
And in money, - - - - -	66,000 00	
	<hr/>	
Making - - - - -	\$216,000 00	
The over expenditure on account of capital remaining as shewn above is	10,745 53	
And the balance of money in hand,	2,468 56	
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		\$229,214 09
		<hr/>

*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1838.*

J. I. ATKINSON,

Secretary.





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N. MANCHESTER,
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